

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MARCH 3, 1982 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
T. Caldwell Egzall	Hinkle Law Firm	Roswell
Jens Hansen	Bass Enterprises	Ft. Worth
David Statz	Bass Enterprises	Ft. Worth
George S. Skema	Bass Enterprises Prod. Co.	Ft. Worth
Michael J. Joseph	Bass Enterprises Production Co.	Ft. Worth
James C. Allen	Amoco Production Co.	Houston
Clyde A. Mote	" " "	"
PAUL KAUTZ	OCD	HOBBS NM
Allen Oertel	Amoco Production Co.	Houston, TX
ALAN W. BOHLING	GULF OIL CORPORATION	MIDLAND, TX
Charles F. Kalteyer	" " "	" "
Philip Vasquez	Amoco Production Co.	Houston
R. E. RICHARDS	ATTY-AT-LAW - PARABO Inc	HOBBS
William S. Sam	Samuel, Boyd & Black	San Antonio
Robert Wallack	Parabo Inc	Hobbs

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NAME	REPRESENTING	LOCATION
Katherine Kneeger	Amoco Production Co.	Houston
Sue Umschler	Minerals Management Service	Albuquerque
Bob Huker	Byrum	Santa Fe
Peg Mallock	Porch In	Hobbs, N.M.
Mark S. Mark	Dow	Midland TX

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 March 1982

EXAMINER HEARING

IN THE MATTER OF:

The application of Bass Enterprises
Production Company for a unit agree-
ment, Lea County, New Mexico.

CASE
7494

BEFORE: Daniel S. Nutter

*Hearing
Register
In This
Transcript*

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

T. Calder Ezzell, Jr., Esq.
HINKLE LAW FIRM
Roswell, New Mexico 88201

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JENS HANSEN

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DAVID SHATZER

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1
2 MR. NUTTER: We'll call next Case 7494.

3 MR. PEARCE: Application of Bass Enter-
4 prises Production Company for a unit agreement, Lea County,
5 New Mexico.

6 MR. EZZELL: Mr. Examiner, I'm Calder
7 Ezzell with the Hinkle law firm of Roswell, representing the
8 applicant, Bass.

9 I have two witnesses to swear.

10
11 (Witnesses sworn.)

12
13 JENS HANSEN

14 being called as a witness and being duly sworn upon his oath,
15 testified as follows, to-wit:

16
17 DIRECT EXAMINATION

18 BY MR. EZZELL:

19 Q Would you state your name, residence,
20 occupation, and employer?

21 A My name is Jens Hansen. My residence
22 is 1104 Purdue in Arlington, Texas. My employer is Bass
23 Enterprises Production Company and I am Division Landman for
24 New Mexico and west Texas.

25 Q Mr. Hansen, have you testified before

1
2 the New Mexico Oil Conservation Division before and had your
3 qualifications as an expert petroleum landman accepted?

4 A. Yes.

5 MR. EZZELL: Are Mr. Hansen's qualifi-
6 cations acceptable?

7 MR. NUTTER: They are.

8 Q. Are you familiar with Bass Enterprises
9 Production Company's application in this matter?

10 A. Yes.

11 Q. And what is the nature of this applica-
12 tion?

13 A. We are seeking approval for our proposed
14 Humble City Unit agreement, located in Lea County, New
15 Mexico.

16 Q. Okay, do you have a plat of the lands
17 covered by the proposed unit?

18 A. Yes.

19 Q. From which you wish to testify?

20 A. Yes.

21 MR. EZZELL: We would refer you to Ex-
22 hibit Number One.

23 Q. Just in your own words, would you ex-
24 plain what this plat shows?

25 A. This plat shows total Bass acreage in

1
2 the lands covered by the map. It also shows the proposed
3 unit area, which is 800 acres, and outlined in an orange.

4 The proposed unit area also is shown on
5 an insert below the Humble City Unit Area, and it indicates
6 our interest in each tract and gives a legal description of
7 the proposed unit area as being the southeast quarter of
8 Section 26, southwest quarter of Section 25, northeast
9 quarter of Section 35, and the west half of Section 36, all
10 in Township 17 South, Range 37 East.

11 It also indicates of the area within
12 the Humble City -- proposed Humble City Unit. The cross
13 hatched area in red is fee or privately owned lands and the
14 cross hatched area in green is State acreage, which such
15 State acreage consists of 40 percent of the unit and the
16 fee, or privately owned lands, consists of 60 percent of
17 the proposed unit.

18 Q Was this exhibit prepared by you or
19 under your supervision?

20 A Yes, it was.

21 Q All right. Do the lands, of the lands
22 within the proposed unit, do you have any unleased interests?

23 A Yes, there are unleased interests with-
24 in the proposed area.

25 Q All right. One hundred percent of the

1
2 proposed unit area is either State or fee --

3 A. That's correct.

4 Q. -- mineral --

5 A. That's correct.

6 Q. Do you have a unit agreement for this
7 proposed --

8 A. Yes.

9 Q. -- area? Is this unit agreement prepared
10 on a form acceptable to the Commissioner of Public Lands for
11 the State of New Mexico?

12 A. Yes.

13 Q. Who is designated operator of the unit
14 agreement?

15 A. Bass Enterprises Production Company.

16 Q. What formations or depths does this
17 unit agreement cover?

18 A. Surface to the top of the Mississippian.

19 Q. Okay. What provisions does the unit
20 agreement have for the drilling of an initial well?

21 A. The unit agreement, which is Exhibit
22 Two, provides for a description of the unit area and as you
23 see, it names BEPCO as the unit operator.

24 It provides for a test well to be com-
25 menced within 60 days from the date of approval of the unit

1
2 agreement.

3 Q And BEPCO is Bass Enterprises Production
4 Company.

5 A That's correct.

6 Q What provisions does the unit agreement
7 contain for additional development within the unit?

8 A It provides that after initial discovery
9 is made a plan of development will be submitted on an annual
10 basis and reasonable development will occur within the unit
11 area to develop all productive acreage.

12 Q What is the method of participation
13 of working interest owners and royalty interest owners?

14 A Working interest owners and royalty
15 interest owners are participating on a unit basis, which is
16 to say, each interest, working interest owner and royalty
17 owner who commits their interest to the unit agreement will
18 participate on a proportionate -- on a pro rata basis on
19 production from each well drilled within the unit area.

20 MR. NUTTER: In other words, the entire
21 unit is the entire --

22 A Yes, sir.

23 MR. NUTTER: -- participating area.

24 A Yes.

25 MR. NUTTER: Undivided.

1
2 A. It's an undivided unit.

3 Q. Do you have evidence as to the number
4 of working interest owners who have committed their lands to
5 this proposed unit?

6 A. Yes. 80 -- 86.54 percent of the working
7 interest owners, which consists of leased -- leasehold in-
8 terest and unleased minerals, have agreed to participate in
9 the unit operations.

10 Q. How about royalty owners, what percentage
11 have ratified or committed their royalty to the unit agree-
12 ment?

13 A. 84.36 percent of the royalty owners
14 have committed their royalty interest to the unit.

15 Q. Have you provided the names and addres-
16 ses of the royalty owners and working interest owners who
17 have committed?

18 A. Yes.

19 Q. And these are on Exhibits Number Four
20 and Five?

21 A. Right.

22 Q. What is your Exhibit Three?

23 A. Exhibit Three is a recapitulation of
24 the insert on Exhibit One, which breaks down tract by tract
25 the percentage of working interest owners, percentage of

royalty owners participating on a tract and unit basis, and provides information on unlocatable interests.

Q Explain the unlocatable interests. You had mentioned earlier that there were certain interests that were uncommitted.

A That's correct.

Q What is the extent of these interests?

A Tracts 3, 4, and 5 contain on a unit basis 6.75 percent of the unit, which cannot be located, and these interests are owned by in excess of 75 owners, who all own less than a quarter acre, and we have spent in the proximity of \$7500 since last June in attempt to find these.

We have been successful in finding many but 75 or approximately 75 owners are still outstanding.

Q So you have 75 interest owners that are unlocatable?

A That's correct.

Q Each of these interests are less than a quarter of an acre?

A We have -- have gone to the trouble even to order the probate records in other states, and have been unsuccessful in these remaining interest owners.

Q You say that 86.54 percent of the working interest owners have committed their interest and

1
2 84.36 of the royalty owners have ratified the unit agreement,
3 is that correct?

4 A That's correct.

5 Q Do you have any evidence of the royalty
6 owner ratification?

7 A Yes.

8 Q We would refer you to unit six, Exhibit
9 Six, which is many counterparts of the signature pages of the
10 further ratification of the royalty owners to the unit agree-
11 ment.

12 Have you completed your efforts in
13 trying to get uncommitted working interest owners and uncom-
14 mitted royalty owners to join in participation of this unit?

15 A No, we will continue to solicit the
16 participation of unleased mineral owners and leasehold owners
17 to participate up to the time we commence the drilling of
18 the well.

19 Q All right. Has this unit been informally
20 approved by the Commissioner of Public Lands?

21 A Yes, it has.

22 Q Do you have any evidence of such appro-
23 val?

24 A Yes, we have a letter dated February
25 11th, 1982, signed by Ray Graham, granting preliminary ap-

1
2 proval as to form and content.

3 MR. EZZELL: We would refer you to Ex-
4 hibit Seven.

5 Q Do you have anything else to aid the
6 Examiner in his decision in this matter?

7 A We, yes, we have also brought a copy of
8 our operating agreement, which has been signed by the
9 working interest owners, the list as shown on our other
10 exhibits, providing for the operation of the unit area.

11 Q In your opinion will the present commit-
12 ment, levels of commitment, afford the operator effective
13 control of the unit area?

14 A Yes, it will.

15 Q And in your opinion will the approval
16 of this unit be in the interest of conservation, the prevention
17 of waste, and protection of correlative rights, and the
18 prevention of the drilling of unnecessary wells?

19 A Very definitely.

20 We also have a letter, a copy of our
21 correspondence to the interest owners, both royalty and
22 working interest, which lists their participation on several
23 places, which are that they could either lease or participate,
24 and we gave them several options in both regards.

25 Q Okay, the correspondence to which you

1
2 refer has not been marked as an exhibit.

3 MR. EZZELL: We would be happy to let
4 you have a copy for your files but we didn't think it had
5 any particular evidentiary value.

6 MR. NUTTER: Okay.

7 Q Except for Exhibit Seven, which was a
8 letter from the Commissioner of Public -- the office of the
9 Public Lands of the State of New Mexico, were all the exhibits
10 you've discussed prepared by you or under your direction?

11 A. Yes.

12 MR. EZZELL: We would offer Exhibits
13 Number One through Eight into evidence at this time.

14 MR. NUTTER: Exhibits One through Eight
15 will be admitted.

16 MR. EZZELL: I have no further questions
17 of this witness.

18
19 CROSS EXAMINATION

20 BY MR. NUTTER:

21 Q Mr. Hansen, you have approximately
22 13-1/2 percent working interest and 15-3/4 percent of the
23 royalty interest that is not committed.

24 Now these are these small tracts that
25 you haven't been able to locate some of the parties. Have

any -- have you located any of those parties and they have declined?

A. Yes, sir, we have. We have one lease that covers 18 acres and the royalty owner has declined to participate, which we will honor, and at such time as we drill the tract under which he owns an interest, he will be treated as -- has full interest under his proration unit.

Q. Under that proration unit.

A. Yes, sir.

Q. But he won't be participating in the participating area.

A. No, sir, no, sir.

Q. He's not under the State lease where the first well is going to be drilled?

A. No, sir.

MR. NUTTER: Are there any other questions of Mr. Hansen? He may be excused.

DAVID SHATZER

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EZZELL:

Q. Would you state your name, your residence, occupation, and employer?

A. My name is David Shatzer. I'm living at 2908 Shady Springs Drive, Arlington, Texas.

MR. NUTTER: How do you spell your last name, please?

A. S-H-A-T-Z-E-R.

MR. NUTTER: Thank you.

A. I'm employed by Bass Enterprises Production Company as an exploration geologist.

Q. Would you give a brief summary of your education and employment experience?

A. I received my Bachelor of Science degree in geology at Mt. Union College in Alliance, Ohio.

I received my Master of Science degree in geology at Ohio State University in Columbus, Ohio.

Q. When did you graduate from these institutions?

A. From Mt. Union with a Bachelor's degree in 1974 and with my Master's degree from Ohio State in 1976.

I thereupon took a job with Atlantic Richfield and worked in the ARCO Oil and Gas office in Midland,

1
2 Texas for three years as an exploration geologist in both
3 west Texas and predominantly mostly southeast New Mexico.

4 In 1979 I took a job with Bass Enter-
5 prises Production Company in Ft. Worth, and my assignment
6 has been similar, similarly concentrating in west Texas and
7 southeast New Mexico.

8 MR. EZZELL: We would offer Mr. Shatzer
9 as an expert in the field of geology.

10 MR. NUTTER: Mr. Shatzer is qualified.

11 Q Are you familiar with the application?

12 A Yes, sir.

13 Q Pending in this matter? What does it
14 seek?

15 A We are proposing -- we are proposing to
16 get a State unit over 1-1/4 sections. We are proposing the
17 drilling of an 11,350 foot Strawn test, to be located in the
18 northwest corner of Section 36, 990 from the north line and
19 660 from the east -- from the west line.

20 Q And that is in the State-owned acreage?

21 A Yes, sir.

22 Q Okay. Do you have any geological evi-
23 dence to support the location proposed by you of this -- of
24 this unit?

25 A Yes, I do. I have the geologic map which

1
2 is the structure on top of the Strawn limestone.

3 Q Would you refer to that, please?

4 A This is a structure map contoured on the
5 top of the Strawn limestone. The contour interval is 100
6 feet.

7 In the lower righthand corner I have a
8 2-log cross section from the nearest producing field, the
9 Humble City Strawn Field. The two wells are located in Sec-
10 tion 15. That's the Harding Shaw No. 1 and the Burns Shipp
11 15, and I've shown these for the purpose of showing the top
12 of the unit that I've mapped. This is the massive Strawn
13 limestone that's producing in that field.

14 The Harding Shaw was a producer, having
15 produced over 411,000 barrels of oil, and the Burns Shipp 15,
16 with a somewhat thinner section of Strawn limestone with no
17 porosity development, and was a dry hole.

18 The vertical scale on these logs is
19 one inch to 40 feet and it's a structural cross section hung
20 on the -7700 foot structural datum.

21 The Strawn producing wells are shown in
22 sky blue. The Strawn is oil productive in stratigraphic pods
23 of porosity and these pods of porosity are found in several
24 places along a northward plunging anticline in the Lovington
25 area. We call it the Lovington nose, the Lovington anticline.

1
2 There are the contours on the Strawn, plunging northward.
3 The Strawn fields are aligned along the flank of this struc-
4 ture. Here is the well showing the Humble City Strawn Field,
5 the Midway Strawn Field, Casey Strawn Field, and then farther
6 to the north, off the scope of my map, is the Northeast
7 Lovington and Lovington Penn or Strawn Field, all the same
8 unit that Lovington is producing down here.

9 On a local scale the Strawn limestone
10 seems to build up where it can get productive. I've shown
11 that in the nearest producer, the Harding Shaw Well, that
12 it is thicker by some 30 feet than one location, one location
13 away.

14 Also, this stratigraphic build up where
15 the Strawn is productive, we can also see in the structural
16 mapping, shown on this map, we see a nose at the Humble City
17 Field, a nose at the Casey Field. We see noses up in the
18 Lovington area, and also at the Midway Field. We not only
19 see nosing but we do see some structural closure, which
20 seems to indicate the stratigraphic build up that we see
21 in several producing areas.

22 There is no well control in the south
23 half of 17, 37. There's these two to three fields in the
24 north part of this township but the southern part of the
25 township has no wells. There's only in the north part of

1
2 Section 22 is the Stallworth Maralo State, which was the
3 last step-out coming down from Humble City.

4 So there is no well control in the
5 southern part of this. Therefor, we had to -- Bass shot an
6 exclusive program of seismic data in and around our proposed
7 unit. It is on the basis of the seismic data that we see
8 similar conditions that have had production up in these other
9 fields. That is to say that we see the nosing, the pull-out
10 of the Strawn structural contours, we actually see some
11 thickening in the unit area, and we feel that the anomalous
12 conditions that we've seen on our seismic are well centered
13 within what we would like to propose as our unit area.

14 Q Mr. Shatzer, was that exhibit prepared
15 by you?

16 A Yes, it was.

17 Q In your opinion will the approval of
18 this unit be in the interest of conservation, the prevention
19 of waste, and the protection of correlative rights, and the
20 prevention of the drilling of unnecessary wells?

21 A Yes, it will.

22 MR. EZZELL: We would tender Exhibit
23 Nine into evidence at this time.

24 MR. NUTTER: Exhibit Nine will be ad-
25 mitted in evidence.

1
2 MR. EZZELL: And I have no further ques-
3 tions of this witness.
4

5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Shatzer, the whole prospect is
8 based on that seismic interpretation of that nose and that
9 thickening in Section 35 and 36, correct?

10 A Yes, it is, for the delineation of
11 putting the first well right here, it certainly is. The
12 subsurface control down to this point, of course, could be
13 geological and the theory by which we would explore down
14 here are based by what we've seen up here, but the actual
15 location is based on the seismic.

16 Q And the shape and size of the unit
17 will tend to conform to the structure as your seismic picture
18 shows it.

19 A Yes, sir.

20 Q I see.

21 MR. NUTTER: Any other questions of
22 this witness? He may be excused.

23 Do you have anything further, Mr.
24 Ezzell?

25 MR. EZZELL: No, sir, I do not.

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2 MR. NUTTER: Does anyone have anything
3 they wish to offer in Case Number 7494?

4 We'll take the case under advisement.
5

6 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501

Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7494
heard by me on 3/3 1982

[Signature], Examiner
Oil Conservation Division